

# Committee on Ways and Means

## ***TAX SIMPLIFICATION FOR AMERICA'S JOB CREATORS ACT OF 2004, H.R. 4840***

**H.R. 4840 helps small business by encouraging investment and simplifying bookkeeping and tax reporting requirements.**

**Section 179 expensing:** Extends for two years (through 2007) the enhanced section 179 small business expensing tax relief included in the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). As a result, the amount small businesses can expense (immediately deduct) will remain at \$100,000 instead of dropping to \$25,000. In addition, more small businesses will continue to be eligible for this enhanced tax relief. The amount that can be expensed and the phase-out threshold will continue to be indexed for inflation.

- The provision lowers the cost of capital by increasing the amount that small business can immediately deduct (as opposed to depreciate over time). The lower cost of capital will encourage small businesses to buy technology, machinery, and other equipment to expand their businesses.
- The provision provides substantial simplification for small business by removing the complex and expensive recordkeeping associated with tracking the depreciation of each capital purchase.

**Cash accounting:** The bill will enable many small companies to continue using the less complex cash method of accounting.

- The provision indexes for inflation the current \$5 million gross receipts threshold for corporations to use cash accounting.
- As a result, many companies will continue to benefit from the less complex cash accounting rules. Absent this provision, many companies will be forced to expend the additional time and incur the additional costs of computing their taxes under the vastly more complex accrual accounting method.

**Deadwood provisions:** The bill will repeal a number of outdated references and provisions in the tax code that serve no purpose today. Removing these “deadwood” provisions will make the code easier to understand.